RAJYA SABHA

Tuesday, the 19th April, 1994/29 Chaitra, 1916(Saka)

..The House met at eleven of the clock, THE DEPUTY CHAIRMAN in the chair.

ORAL ANSWERS TO QUESTION

Strike by Bank Employees

*321. SHRI V. NARAYANASAMY : Will the Minister of FINANCE be pleased to state :

(a) whether there was a nation-wide strike by more than 6 lakh bank employees recently in protest against Government policy of closure of branches of various banks, establishment of private banks and granting additional licences to various banks for opening branches in the country ;

(b) if so, the reaction of Government; and

(c) the steps taken by Government to rehabilitate the personnel due to closure of the banks ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) to (c) A statement is laid on the Table of the House.

Statement

(a) to (c) A section of the bank employees resorted to strike on 17th February, 1994. As per the call given by the Joint Action Committee in financial sector, the bank employees participated in a nation-wide strike on 8th April, 1994 also.

I.B.A. has reported that the strike was primarily against alleged privatisation of banks, closure of branches and job security and for early wage revision.

Government have, on a number of occasions including the meeting of the Finance Minister with the trade union leaders in January, 1994, allayed the fears of bankmen and have reiterated that there was no intention to denationalise public sector banks. Government have also made it clear that there is no move to privatise any public sector bank, nor to close any loss making branches on a large scale although rationalisation of the branch network to ensure better utilisation of resources is not ruled out.

In relation to the demand for wage revision several rounds of discussion on the charter of demands submitted by the employees' unions for the VIth Bipartite Settlement have so far taken place between IBA and the representatives of the employees' unions. In pursuance of these discussions, memoranda of understanding have already been signed between the major employees unions and IBA with regard to pension in lieu of CPF and on computerisation and mechanisation. Discussions between IBA and the employees' representatives on the subject have not so far been concluded.

SHRI V. NARAYANASAMY : Madam, the reply given by the hon. Minister is very vague. According to the reports available, out of a total of 8,691 branches of the State Bank of India, more than 2,500 are incurring losses. In the case of the Syndicate Bank, there are 940 loss-making branches. In the case of the Central Bank of India, the number is 833. In the case of the United Commercial Bank, there are 940 loss-making branches.

When we consider the overall position, if the Government have taken a decision to close down these branches, more than 2 lakh employees would be rendered unemployed. As I said, the reply given by the hon. Minister is very vague. In the second paragraph he has said : 'Government have also made it clear. I am reading the last sentence, Madam— that there is no move to privatise any public sector bank'. The next sentence is very important. It says : '..nor to close any loss-making branches on a large scale..'. This means, the decision of the Government to close down some of the branches, in a phased manner, is very much there.

Madam, on the one side, they say that they are not going to close down the loss-making branches. On the other side, they say that they would rehabilitate the employees. I would like to know what is the stand of the Government. Have you taken a decision to close down the loss-making branches of the various public sector banks ? If so ... the assurance has been given several times ... what is the rehabilitation programme envisaged by the Government for the

2 lakh employees who are going to be rendered unemployed ?

SHRI M. V. CHANDRASHEKHAR MURTHY : Madam, the main demands of the Joint Action Committee for which they went on strike on 8-4-94 were ; alleged privatisation of banks, against closure of branches, for job security and for an early wage revision.

Regarding the closure of bank branches about which the hon. Member is worried, I would like to point out that the hon. Finance Minister has, on several occasions, made it amply clear that there is no intention to close down any branch. But the Reserve Bank of India have, in a study, identified nearly 12,000 loss-making branches. They have further identified about 1,000 branches in metropolitan and urban areas.

Madam, the Government has not taken any decision to close down the loss-making branches. Also, if there is only one branch in a village, there is no question of closing it down, whether it is earning profit or incurring loss. As I said, the Reserve Bank of India have identified about 1,000 branches in metropolitan and urban areas which are continuously incurring losses for the last five years. But they are looking only into about 100 branches which require closure or adjustment. At the same time, there is not going to be any retrenchment on account of the exercise of rationalisation of the branch network to ensure better utilisation of resources.

SHRI V. NARAYANASAMY : Madam, even this reply of the hon. Minister does not make it clear whether the Government has taken any policy decision to close down the loss-making branches. I asked a specific question.

The reply by the hon. Finance Minister is also tricky. I have read out that sentence also. It says, "nor to close any loss making branches on a large scale..." Therefore, I wanted to know whether they have got any intention to close the branches in a phased manner. For that there is no reply. Therefore, I want a clear answer to my first supplementary.

THE DEPUTY CHAIRMAN : Is it large scale or small scale?

SHRI M. V. CHANDRASHEKHAR MURTHY : Madam, I have already pointed out in my main reply that the Government has not decided to close any branches at present, but wherever restructuring and rationalization is required, we will readjust, and to ensure better utilization of resources even, there is not going to be any retrenchment of the work force. That I can assure.

SHRI V. NARAYANASAMY : My second supplementary. An amount of more than Rs. 37,000 crores has been locked up in bad debts because banks lent the money and the money has not come back. And the Government has to pay from the budgetary provisions for reviving the banking industry. I want to know whether there is a demand from the employees that the names of chronic defaulters of the banks should be published so that there will be a moral fear in them and they would pay the money and, if so, whether they are going to implement it. Secondly, the Government has brought forth a scheme for the opening of private banks with Rs. 100 crores of capital adequacy. How many private persons and companies have applied for opening private banks and for how many have licenses been given ?

THE DEPUTY CHAIRMAN : I think you could ask this question under Question No. 322. It is all mixed up. This question is about strike by bank employees.

SHRI V. NARAYANASAMY : I have made three points. In the first question itself it is there—privatization of public sector banks and also granting of additional licences to private banks. A specific question is there.

THE DEPUTY CHAIRMAN : Okay.

SHRI M. V. CHANDRASHEKHAR MURTHY : Madam, about the privatization of banks, the Finance Minister made it amply clear on several occasions that there is no intention on the part of the Government to privatize any of the public sector banks but, in order to build up their capital, there is no option but to invite public participation to a limited extent. Even the decision of the Government to disinvest share of the public sector banks to an extent of 49 per cent is not an indication that the Government is about to

withdraw its control over the public sector banks.

SHRI V. NARAYANASAMY : I am sorry, Madam, I asked about the opening of private banks, not privatization of public sector banks.

THE DEPUTY CHAIRMAN : Let him answer, please.

SHRI M. V. CHANDRASHEKHAR MURTHY : Under the provisions of the banking Regulations Act, 1949, the Reserve Bank of India, not the Government, have permitted setting up of new banks.

SHRI V. NARAYANASAMY : How many ?

SHRI M. V. CHANDRASHEKHAR MURTHY : So far they have cleared nine banks in principle, and there are 14 other applications which are in the process.

SHRI V. NARAYANASAMY : What about publication of names of defaulters ?

SHRI M. V. CHANDRASHEKHAR MURTHY : About the publication of names of defaulters of the banks, the hon. Finance Minister has indicated it in his budget speech, and he has given instructions to alert banks and financial institutions, and to put them on guard against borrowers who have defaulted in their dues to the other lending institutions, the Reserve Bank of India has put in place an arrangement for circulating among banks and financial institutions, the names of the defaulting borrowers above a threshold limit. Further, the Reserve Bank will also publish a list of defaulting borrowers in cases where suits have been filed by banks and financial institutions.

श्री गया सिंह : मैडम, माननीय वित्त राज्य मंत्री ने अभी कहा कि बहुत सारे बैंक लॉस्स मैकिंग में हैं और उनमें लार्ज स्केल में बंद करने की स्थिति नहीं है । मैडम, मेरा बिहार का अनुभव है कि वहां अधिकांश ग्रामीण बैंक्स में ताला लग गया है । इसलिए मैं माननीय वित्त मंत्रीजी से सिर्फ यह जानना चाहता हूं कि देश में ऐसे कितने ग्रामीण बैंक्स हैं जोकि लॉस मकिंग म हैं और उनमें टोटल कितने कर्मचारी अफेक्टेड होनेवाले हैं ?

SHRI M. V. CHANDRASHEKHAR MURTHY : Madam, I have replied earlier that the Reserve Bank of India had studied this and identified about 12,000 loss-making branches throughout the country, including even rural branches. The RBI has further identified about 1,000 branches in metropolitan and urban areas, which have been continuously making losses for the last five years. But, I have already made it very clear that Government has not decided to close any loss-making branches. Also, if there is only one branch in a particular village, there is no question of closure of that, whether it is making profit or not.

SHRI K. K. VEERAPPAN : Madam, Deputy Chairman, the banking facility in rural areas is not sufficient at present. The rural people have to go miles together to reach banks. The Government policy is in favour of closure of branches of various banks. I want to know from the Finance Minister what steps he is going to take to open more branches of banks so that the rural people are spared of the hardship.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH) : Madam, we have a very large network of rural banks. The approach that has been followed is a multi-dimensional approach that, together with commercial banks, the Regional Rural Banks and Co-operative Banks, the needs of the rural areas for credit should be met. We have today in our country a total network of about 14,000 branches of the Regional Rural Banks. So, as of now, I feel that, taking the country as a whole, we have a reasonably good network. Before expanding it further, we have to look at the economics of its expansion because, beyond a point, banking cannot become a grant-giving activity.

SHRI JIBON ROY : On the 8th of April, 14 lakh workers of financial institutions went on strike against the policy of privatisation and introduction of private banks in the financial sector as suggested by the Malhotra Committee and the Narasimham Committee. A meeting was there. I was present in the meeting. It was said that at no stage had the Government decided that there would be no privatisation and that no private bank would be introduced. Rather it has been asserted that 49 per cent of the share capital of the nationalised banks would be disinvested and that licences would be granted to private banks. I would like to know

from the Minister how the Government is going to reconcile the social objectives of the banking system with privatisation ?

SHRI MANMOHAN SINGH : Madam, with regard to the public sector banks, we have said that their public sector character would be maintained and that the disinvestment of the equity would never go beyond 49 per cent. With this, there should be no apprehension whatsoever that there is going to be any change in the public sector character of the nationalised banks. Our objective is limited. The budget cannot provide more capital which these banks need. This money is needed for other essential purposes like rural development and anti-poverty programmes. That is the reason why we want the banks to go to market to raise a part of the capital. It is not designed to change the basic character of these banks.

As far as the entry of new banks into the private sector is concerned, banks in the private sector already exist in our country. We felt that there is no harm if some more banks are introduced. These banks will also have to operate within the broad framework of rules, procedures and guidelines including the priority sector credit which the Reserve Bank of India has laid down for other banks in the country.

THE DEPUTY CHAIRMAN : Now, Mr. Bommai.

SHRI JIBON ROY : This 51% equity ...*(Interruptions)*...

THE DEPUTY CHAIRMAN : Mr. Jibon Roy, when that question comes, I will permit you to put another question.

SHRI SOMAPPA R. BOMMAI: Madam, the Government has radically changed its economic policy. They started the nationalisation of banks and now they started the privatisation of banks. There is a radical change. Though they may say that 49% equity is retained, in effect, it is a complete privatisation. This is the first point that I would like to know.

Secondly, I would like to know whether the Government has got any control over the rate of interest which these private banks charge from the borrowers. Has the Government any prescription for it, especially in regard to rural credit? Already, a number of Rural Bank branches have been closed down. In many places, banks are not giving any money. Has the Government gone through the reason for this? I feel it is due to the mismanagement of the staff. It is not the farmer who is not paying his debt. Farmers are paying their debts regularly. There may be some defaulters also. Because of some defaulters, the regularly-paying farmers should not be deprived of the loan facilities. These are the complicated factors that are affecting the rural credit. I would like to know about this from the hon. Finance Minister.

SHRI MANMOHAN SINGH : Madam, I have already mentioned that the fact that we are offering a part of the equity of the nationalised banks to the public for contribution does not constitute privatisation of the nationalised banks. The effective control and the 51% shares will at all times remain with the public sector and the Government. Therefore, there should be no apprehension that this policy constitutes a policy of privatisation or changing the essential public sector character of the nationalised banks.

With regard to problems in rural credit, I had stated on several occasions that these problems had become more acute and— without introducing an element of politics. I think these problems become particularly acute after the disastrous scheme of loan waiver which was introduced in 1991 which had vitiated the climate of repayment for which I think the whole farming community...(*Interruptions*)...

SHRI S. JAIPAL REDDY : Madam Deputy Chairperson, the Finance Minister has indulged in an irrelevant, intemperate outburst. It is very unbecoming of him... (*Interruptions*) ... Who started the loan melas? Mr. Janardhan Poojary did it. Why don't you ask your colleague?

SHRI SOMAPPA R. BOMMAI : It is Mr. Janardhan Poojary who started the loan melas... (*Interruptions*) ...

SHRI S. JAIPAL REDDY : Madam, it is not fair. Let there be a full-fledged discussion on this.

SHRI AJIT P. K. JOGI : Let there be a full discussion on this so that the facts will come out... (*Interruptions*)...

SHRI SOMAPPA R. BOMMAI : The hon. Finance Minister says that the whole situation has arisen because of the loan waiver scheme. I would like to know what the amount involved in the loan waiver was and what the amount involved in the scamp was and who was responsible for the scamp.

THE DEPUTY CHAIRMAN : I think this is your second supplementary.

SHRI MANMOHAN SINGH : If it will please the hon. Member, I can tell him the amount involved in the loan waiver scheme. The total cost to the State Governments and the Central Government far exceeds the amount involved in the loan melas and the scamp money.

THE DEPUTY CHAIRMAN : Question No. 322... (*Interruptions*)... Mr. Jaipal Reddy, I moved on to another question. That is also regarding banking.

Bad debts declared by various nationalised banks

*322. SHRI K. R. MALKANI : Will the Minister of FINANCE be pleased to state :

(a) the details of bad debts above Rs. 1 crore declared by various nationalised banks during the last three financial years;

(b) the five biggest defaulting parties in each year for each of the banks; and

(c) the names of Chairmen of these banks during those three years?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASEKHAR MURTHY) : (a) to (c) A Statement is laid on the Table of the House.

Statement

Bad debts declared by various nationalised banks

(a) The bad debts declared by various nationalised banks during the last three financial years as reported by Reserve Bank of India are as under :—

(Rs. in crores)

Year	Amount
March, 1991	407·14
March, 1992	547·94
March, 1993	971·24

Separate information regarding bad debts above Rs. 1 crore is not available.

(b) In accordance with the statutes governing the nationalised banks and in keeping with the practices and usages customary amongst bankers, information relating to the affairs of their constituents is not disclosed.

(c) The names of Chairmen and Managing Directors of the nationalised banks who were in position during the last 3 years are given in the enclosed list.

LIST

Name of the Bank	Name of the CMD	Period
1	2	3
Allahabad Bank	Sh. R. L. Wadhwa	28-4-88 to24-6-92
Bank of Baroda	Dr. A. G. Shah	20-2-90 to 28-2-93
Bank of India	Sh. R. Srinivasan	24-6-87 to 29-8-91
	Sh. G. S. Dahotre	5-2-92 to 31-1-95
Bank of Maharashtra . . .	Sh. T.K.K. Bhagwat	28-8-89 to 5-5-93
Canara Bank	Sh. N. D. Prabhu	21-9-88 to 28-8-91
	Sh. J. V. Shetty	5-2-92 to 31-8-96
Central bank of India . .	Sh. N. M. Mistry	11-4-90 to 30-8-91
	Sh. S. Subramanayam	4-2-92 to 30-9-93
Indian Bank	Sh. M. Gopalakrishnan	8-12-88 to 7-6-94
Indian Overseas Bank . . .	Sh. P. S. Gopalakrishnan	5-12-87 to 25-11-92